

**ASHLAND-GRANT FIRE DISTRICT
NEWAYGO COUNTY, MICHIGAN**

AUDIT REPORT

MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name ASHLAND-GRANT FIRE DISTRICT	County NEWAYGO
Fiscal Year End 3/31/2006	Opinion Date 7/3/2006	Date Audit Report Submitted to State 7/19/2006	

We affirm that:

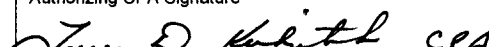
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) TERRY KIRKPATRICK, CPA, P.C.		Telephone Number 231-796-3332		
Street Address 211 MAPLE STREET		City BIG RAPIDS	State MI	Zip 49307
Authorizing CPA Signature 		Printed Name TERRY D. KIRKPATRICK		License Number 18035

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Independent Auditor's Report

Members of the Joint Administrative Fire Board
Ashland-Grant Fire District, Newaygo County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashland-Grant Fire District, Newaygo County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise Ashland-Grant Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Ashland-Grant Fire District, Newaygo County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ashland-Grant Fire District, Newaygo County, Michigan, as of March 31, 2006, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Ashland-Grant Fire District has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis- for State and Local Governments*, as of March 31, 2006. Management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ashland-Grant Fire District, Newaygo County, Michigan basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan
July 3, 2006

BASIC FINANCIAL STATEMENTS

Ashland-Grant Fire District – Newaygo County, Michigan

Government Wide Statement of Net Assets

March 31, 2006

With Comparative Amounts at March 31, 2005

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 179,892	\$ 167,821
Due from Other Governmental Units	17,655	9,687
Capital Assets (Net)	633,616	667,641
Total assets	<u>\$ 831,163</u>	<u>\$ 845,149</u>
LIABILITIES		
Payroll Taxes Payable	\$ 897	\$ 883
Fireman Deposits in Trust	1,967	2,893
Land Contract Payable	0	59,995
Total liabilities	<u>2,864</u>	<u>63,771</u>
NET ASSETS		
Invested in capital assets, net of related debt	633,616	607,646
Unrestricted	194,683	173,732
Total net assets	<u>828,299</u>	<u>781,378</u>
Total liabilities and net assets	<u>\$ 831,163</u>	<u>\$ 845,149</u>

The "Notes to Financial Statements" are an integral part of these statements.

Ashland-Grant Fire District – Newwaygo County, Michigan

Government Wide Statement of Activities

For the Year Ended March 31, 2006

With Comparative Totals for the Year Ended March 31, 2005

	Expenses	Charges for Services	Operating Grants	Governmental Activities Net (Expense) Revenue and Changes in Net Assets	2005 Totals
PRIMARY GOVERNMENT					
Public Safety	\$ 94,171	\$ 39,289	\$ 0	\$ (54,882)	\$ (51,431)
Depreciation (unallocated)	34,025	0	0	(34,025)	(23,755)
Total primary government	\$ 128,196	\$ 39,289	\$ 0	\$ (88,907)	\$ (75,186)
General Revenues					
Contributions from Local Units				132,896	122,217
Interest Earnings				719	2,018
Other Revenue				2,213	2,277
Total general revenues				135,828	126,512
Change in Net Assets				46,921	51,326
Net assets - Beginning of year				781,378	730,052
Net assets - End of year				\$ 828,299	\$ 781,378

The "Notes to Financial Statements" are an integral part of these statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Ashland-Grant Fire District – Newaygo County, Michigan
 Governmental Fund Balance Sheet
 March 31, 2006
 With Comparative Totals at March 31, 2005

	General Fund	Fire Equipment Funds	Total Governmental Funds	2005 Totals
ASSETS				
Cash and Cash Equivalents	\$ 72,120	\$ 107,772	\$ 179,892	\$ 167,821
Due from Other Governmental Units	9,766	7,889	17,655	9,687
Advance to General Fund	0	51,092	51,092	0
Due from Fire Equipment Fund	0	0	0	14,072
Total assets	\$ 81,886	\$ 166,753	\$ 248,639	\$ 191,580
LIABILITIES AND FUND EQUITY				
Payroll Taxes Payable	\$ 897	\$ 0	\$ 897	\$ 883
Fireman Deposits in Trust	1,967	0	1,967	2,893
Advance from Fire Equipment Fund	51,092	0	51,092	0
Due to General Fund	0	0	0	14,072
Fund Balance - Unreserved and Undesignated	27,930	166,753	194,683	173,732
Total liabilities and fund equity	\$ 81,886	\$ 166,753	\$ 248,639	\$ 191,580
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets				
Total Governmental Fund Balances			\$ 194,683	\$ 173,732
Amounts reported for governmental activities in the statement of net assets are different because:				
Cost of capital assets, net of depreciation			633,616	607,646
Net assets of governmental activities			\$ 828,299	\$ 781,378

The "Notes to Financial Statements" are an integral part of these statements.

Ashland-Grant Fire District – Newaygo County, Michigan
 Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended March 31, 2006
 With Comparative Totals for the Year Ended March 31, 2005

	General Fund	Fire Equipment Fund	Total Governmental Funds	2005 Total
REVENUES				
Contributions from Local Units	\$ 65,834	\$ 67,062	\$ 132,896	\$ 122,217
Homeland Security Grant	0	0	0	40,473
Charges for Services	39,289	0	39,289	34,660
Interest and Rents	264	455	719	2,018
Other Revenue	2,158	55	2,213	2,277
Proceeds on Land Contract	0	0	0	59,996
Transfer from General Fund	0	2,400	2,400	0
Total revenues	107,545	69,972	177,517	261,641
EXPENDITURES				
Public Safety	94,171	0	94,171	560,996
Principal on Land Contract	59,995	0	59,995	0
Transfer to Fire Equipment Fund	2,400	0	2,400	0
Total expenditures	156,566	0	156,566	560,996
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(49,021)	69,972	20,951	(299,355)
Fund Balance - April 1,	76,951	96,781	173,732	473,087
Fund Balance - March 31,	27,930	166,753	194,683	173,732

The "Notes to Financial Statements" are an integral part of these statements.

Ashland-Grant Fire District – Newaygo County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended March 31, 2006

With Comparative Amounts for the Year Ended March 31, 2005

	<u>2006</u>	<u>2005</u>
Net Change in Fund Balances - Total Government Funds	\$ 20,951	\$ (299,355)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is capital outlay for the year.	0	434,432
Land Contract proceeds are not reported as a financing source on the statement of activities	0	(59,996)
Land contract principal payments are not reported as an expenditure on the statement of activities	59,995	0
Depreciation expense	<u>(34,025)</u>	<u>(23,755)</u>
Change in Net Assets of Governmental Activities	<u>\$ 46,921</u>	<u>\$ 51,326</u>

The "Notes to Financial Statements" are an integrated part of these statements.

NOTES TO FINANCIAL STATEMENTS

Ashland-Grant Fire District – Newaygo County, Michigan

Notes to Financial Statements

For the Year Ended March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Ashland-Grant Fire District conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Ashland-Grant Fire District:

Reporting Entity

Originally, the Ashland-Grant Fire District was established between the Newaygo County Townships of Grant and Ashland, and the City of Grant on January 1, 1974 pursuant to 1951 Public Act No. 33, as amended. This agreement was terminated and replaced by a new agreement July 1, 1996. The furnishing and administration of the joint fire protection is under the supervision and direction of a Joint Fire Administrative Board comprising seven members, composed of two members appointed by the Township Board of each of the two Townships, two members appointed by the City Commission of the City of Grant, and the seventh member appointed by the remaining six so-appointed members.

Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Ashland-Grant Fire District – Newaygo County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2006

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted-for in another fund.

The Fire Equipment Fund is used to record expenditures for major fire equipment.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and are considered delinquent on March 1st of the following year, at which time interest and penalties are assessed.

Capital Assets – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	40 years
Building Improvements	15 to 30 years
Equipment	5 to 10 years
Fire Vehicles	20 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Fire District have its budget in place by April 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a Fire District to amend its budgets during the year.

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Fire District is allowed to invest in bonds, securities and other direct obligations of the United States

Ashland-Grant Fire District – Newaygo County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2006

or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Fire District has designated one bank for the deposit of Fire District Funds. The investment policy adopted by the Fire District Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Fire District's deposits and investment policy are in accordance with statutory authority.

At year-end, the Fire District's deposits and investments were reported in the basic financial statements in the following categories:

Governmental Activities

Cash and cash equivalents \$ 179,892

The bank balance of the primary government's deposits is \$181,161, of which \$140,455 is covered by federal depository insurance.

NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds are as follows:

	General	Fire Equipment	Total
Due from Other Governmental Units	\$ 9,766	\$ 7,889	\$ 17,655

NOTE E – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 126,330	\$ 0	\$ 0	\$ 126,330
Capital assets being depreciated				
Buildings	221,324	0	0	221,324
Equipment	30,690	0	0	30,690
Fire vehicles	888,505	0		888,505
Less: accumulated depreciation for Capital assets	(599,208)	(34,025)	0	(633,233)
Net capital assets	\$ 667,641	\$ (34,025)	\$ 0	\$ 633,616

Depreciation expense was not charged to activities as the Fire District considers its assets to impact multiple activities and allocation is not practical.

NOTE F – RISK MANAGEMENT

The Fire District is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Fire District has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

Ashland-Grant Fire District – Newaygo County, Michigan
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended March 31, 2006
 With Comparative Actual Amounts for March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	2005 Actual
BEGINNING OF YEAR FUND BALANCE	\$ 76,951	\$ 76,951	\$ 76,951	\$ 0	\$ 127,580
Resources (inflows)					
Contributions from Local Units	80,500	80,500	65,834	(14,666)	61,109
Homeland Security Grant	0	0	0	0	40,473
Charges for Services	34,200	34,200	39,289	5,089	34,660
Interest and Rents	400	400	264	(136)	544
Other Revenue	1,000	1,000	2,158	1,158	950
Proceeds on Land Contract	0	0	0	0	59,996
Amounts Available for Appropriation	193,051	193,051	184,496	(8,555)	325,312
Charges to Appropriations (outflows)					
Public Safety					
Fire Department					
Salaries and wages	35,338	35,338	32,958	2,380	30,634
Social security and medicare	4,500	4,500	2,521	1,979	2,344
Supplies	12,000	12,000	5,603	6,397	22,017
Gas and oil	4,000	4,000	3,287	713	2,254
Contracted services	5,350	5,350	3,052	2,298	3,295
Repair and maintenance	20,000	20,000	14,006	5,994	5,715
Insurance	27,000	27,000	21,165	5,835	20,123
Utilities	7,850	7,850	7,195	655	5,065
Miscellaneous	3,000	3,000	3,490	(490)	2,631
Capital outlay	0	0	0	0	126,330
Homeland security	0	0	0	0	26,565
Interest expense	0	0	894	(894)	1,388
Contingency	5,000	5,000	0	5,000	0
Land Contract Principal Paid	19,500	19,500	59,995	(40,495)	0
Transfer to Fire Equipment Fund	0	0	2,400	(2,400)	0
Total Charges to Appropriations	143,538	143,538	156,566	(13,028)	248,361
Budgetary Fund Balance - March 31,	\$ 49,513	\$ 49,513	\$ 27,930	\$ (21,583)	\$ 76,951

Ashland-Grant Fire District – Newaygo County, Michigan

Budgetary Comparison Schedule

Fire Equipment Fund

For the Year Ended March 31, 2006

With Comparative Actual Amounts for the Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)	<u>2005 Actual</u>
BEGINNING OF YEAR FUND BALANCE	\$ 96,781	\$ 96,781	\$ 96,781	\$ 0	\$ 345,507
Resources (inflows)					
Contributions from Local Units	66,500	66,500	67,062	562	61,108
Interest and Rents	0	0	455	455	1,474
Other Revenue	1,300	1,300	55	(1,245)	1,327
Transfer from General Fund	0	0	2,400	2,400	0
Amounts Available for Appropriation	164,581	164,581	166,753	2,172	409,416
Charges to Appropriations (outflows)					
Public Safety					
Fire Department	0	0	0	0	312,635
BUDGETARY FUND BALANCE - March 31,	<u>\$ 164,581</u>	<u>\$ 164,581</u>	<u>\$ 166,753</u>	<u>\$ 2,172</u>	<u>\$ 96,781</u>

TERRY KIRKPATRICK, CPA, P.C.

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July 3, 2006

Members of the Ashland-Grant Fire District Board
Ashland-Grant Fire District
Newaygo County, MI

We recently completed our audit of the general-purpose financial statements of Ashland-Grant Fire District for the year ended March 31, 2006. During our audit, we had an opportunity to test internal controls and to observe the accounting and financial procedures and many of the general management practices of the Ashland-Grant Fire District. Based upon these tests and observations, there are several matters that we specifically want to call to your attention.

CLERK AND TREASURER DOING A GOOD JOB

The Clerk and Treasurer of the Fire District have done a commendable job of maintaining the financial records of the Ashland-Grant Fire District once again this year. Keep up the good work.

EXPENSE BUDGET NEEDS ATTENTION

The Fire District Board needs to monitor the General Fund budget more closely, and make budget amendments before making an expenditure that exceeds a budgeted item. Looking at page 11 of the audit report, the items shown in the right-hand column under "charges to appropriations", those areas in 'parenthesis' have exceeded the original budget. The biggest item that exceeded the budget was the principal payment on the land contract. Prior to making such expenditures, the Board must make a budget amendment. There was a very similar budget problem last year as well.

OTHER MATTERS

We have enjoyed working with your staff. Their competence and assistance were instrumental in our timely completion of the audit.

We have provided two copies of the audit report, the auditing procedures report, and this letter to the Michigan Department of Treasury, Local Audit Division.

If you have any questions regarding this letter or the audit, please do not hesitate to contact us.

Terry Kirkpatrick, CPA, P.C.